



April 14, 2014

Ms. Inez Kiriu, Finance Director
City of Galt
380 Civic Drive
Galt, CA 95632

Dear Ms. Kiriu:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Galt Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 7 – Project Delivery Cost in the amount \$154,240. It is our understanding the Agency requested \$4,000 in error; the actual request should be \$400 due to the increase in annual trustee fees. Therefore, the excess \$3,600 (\$4,000-\$400) is not eligible for Redevelopment Property Tax Trust Fund (RPPTF) funding.
- Item Nos. 29 and 35 – Project Delivery costs totaling \$7,250,409 in Bond Proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded.

It is also our understanding these bonds were issued after December 31, 2010. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

- Item No. 36 – Lawsuit Settlement in the amount of \$25,000. Insufficient documentation was provided to support the amount claimed. The Agency provided a stipulated judgment issued by the Superior Court of the State of California. However, this document is insufficient to support the requested amount because the settlement agreement does not provide for the payment of litigation expenses. Additionally, the Agency requested \$343,000 (Item No. 30) to make payments for the settlement agreement. To the extent the Agency can provide suitable documentation, such as, the

cost estimates or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.

- Item No. 37 – Housing Successor Entity Administrative Allowance in the amount of \$600,000 payable from RPTTF funding. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City of Galt (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on August 1, 2012. Therefore, the City is not eligible for the housing entity administrative costs allowance of \$600,000.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

Based on our review of the Prior Period Adjustment Form, Finance notes that the Agency spent the amount of \$55,200 of bond proceeds on project related costs during the period July through December 2013 without authorization. It is also our understanding these bonds were issued after December 31, 2010. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,206,334 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	1,184,934
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,309,934
Total RPTTF requested for non-administrative obligations	1,184,934
<u>Denied Items</u>	
Item No. 7	(3,600)
Item No. 36	(25,000)
Item No. 37	(75,000)
	(103,600)
Total RPTTF authorized for non-administrative obligations	\$ 1,081,334
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,206,334
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,206,334

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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Please direct inquiries to Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Michelle Neeley, Accounting Manager, City of Galt
Mr. Ben Lamara, Assistant Auditor-Controller, Sacramento County
California State Controller's Office